

1294
28422R

THE CONSUMER AND THE FOOD PRICE SITUATION

LIBRARY
RECEIVED
★ MAY 27 1936 ★

A radio interview between Don Montgomery, Consumers' Counsel of the Agricultural Adjustment Administration, and Mrs. Ernest Daniel, First Vice-President of the District of Columbia Federation of Women's Clubs, broadcast on Tuesday, April 28, 1936, at 3:45 P.M., Eastern Standard Time, over the Red Network and supplementary stations of the National Broadcasting Company.

ANNOUNCER:

This is Consumer Time. During the next quarter-hour you will hear Don Montgomery, Consumers' Counsel of the Agricultural Adjustment Administration, answering some important consumer questions asked by Mrs. Ernest Daniel, First Vice-President of the District of Columbia Federation of Women's Clubs. Their subject is one that hits us all right where we live: "The Consumer and the Food Price Situation".

Mrs. Daniel is sitting here before the microphone with a sheaf of notes. I imagine her first question is the same one every one of us would like to ask: "Are prices going down?"

MRS. DANIEL:

Well, I can't deny I'm interested in the answer to that question, but I might have given Mr. Montgomery time to draw a deep breath before he plunged into it.

MR. MONTGOMERY:

That's all right, because of course any discussion on the subject of food prices is bound to center around that point. But since I'm not a prophet I can't answer it for the future. I can only tell you what food prices have been doing, how they behaved in connection with the other factors that influenced them, and how the future looks as far as these other factors are concerned.

MRS. DANIEL:

You mean factors like food supply, I suppose?

MR. MONTGOMERY:

Yes, supply is naturally fundamental. But consumer income operates on the food price situation too.

MRS. DANIEL:

That sounds like economics. Mr. Montgomery, since so many of us are not economists I think it might be well for you to explain just how consumer income acts on food prices.

MR. MONTGOMERY:

Well, as you know, when things are plentiful they tend to be sold at a lower price. When they are scarce the price goes up accordingly. But consumer income sets limits on both trends. If people have very little money

(over)

to spend for food when food is scarce, the price of the food will not go up as much as it would if they had more money to spend for it.

MRS. DANIEL:

You mean that demand as well as supply affects the price. And you say that consumers' incomes are a measure of the demand for food.

MR. MONTGOMERY:

Yes, that's right. Because, for the most part, it isn't how much food we might like to have, or even how much we actually need; it is how much money we have to pay for it that determines demand.

MRS. DANIEL:

Well what have food prices been doing in connection with these factors and what are the prospects for the future?

MR. MONTGOMERY:

The food price reports from the Bureau of Labor Statistics show that food prices, on the average, stood in March of this year just about where they stood in March, 1935.

MRS. DANIEL:

Then they haven't moved at all?

MR. MONTGOMERY:

No, I'm not saying exactly that. They have moved up and down during those twelve months, but at the end of the period there was practically no net change from March of a year ago. This was the first time since July 1933 that any whole year has gone by and shown at the end practically no net change in retail food prices.

MRS. DANIEL:

But that is about the only similarity between now and then, I should think. Wasn't the situation entirely different in 1933?

MR. MONTGOMERY:

Yes. At that time the downward slide of food prices that started with the depression had come to an end, and prices had started back up again and were just as far on their upward course as they had reached on their downward course the year before. From then until April 1935, food prices increased steadily and sometimes very rapidly. Much of that increase was necessary for the salvation of the farm population, and the AAA farm program was in there to help get farm prices up. But some of the price rise was undoubtedly more than Triple-A would have attempted to bring about through its production controls. Drought put a heavy hand on the supply and added materially to the increase in retail prices.

MRS. DANIEL:

And since April 1935, has the food price average remained unchanged?

MR. MONTGOMERY:

It has moved up and down by small amounts and in March, for the first time, it could be said that food prices were a little lower this year than in the same month a year ago.

MRS. DANIEL:

Then they are not exactly the same as they were a year ago?

MR. MONTGOMERY:

Well what little net change there was from March to March was downward. By April 7, the date of our latest figures from the Bureau of Labor Statistics, food prices were almost 3 percent below the corresponding date a year ago.

MRS. DANIEL:

Now we're coming to some good news for consumers.

MR. MONTGOMERY:

Well, this 3 percent decrease over a year ago is an average for all food prices, in the proportions in which the average consumer buys them. It doesn't hold good for each individual food on which prices are reported. But it is true that all but one of the ten groups into which the Bureau classifies retail food prices went down.

MRS. DANIEL:

Which group did not go down?

MR. MONTGOMERY:

The classification called "Sugars and Sweets". On April 7 of this year its index was slightly higher than on April 9 of last year.

MRS. DANIEL:

How about the other groups? Meat, for instance?

MR. MONTGOMERY:

Well, meats have dropped during the past year about 1 1/2 percent. The foods classified as "Cereals and Bakery Products" have dropped a little more than one percent.

MRS. DANIEL:

That's not much, but every little drop helps consumers. How much did such foods as milk go down?

MR. MONTGOMERY:

The group called "Dairy Products" declined about 3 percent for the year. Canned fruits and vegetables took a bigger fall -- 7 percent -- between April 9 a year ago and April 7 this year. Fresh fruits and vegetables came down nearly as far -- 5 percent, while dried fruits and vegetables dropped farthest of all -- almost 8 percent. Beverages went down more than 5 percent. And eggs have finally taken a slide bringing them down six percent below last April's average egg prices.

MRS. DANIEL:

But I suppose among the specific items that make up the groups, there was more variation?

MR. MONTGOMERY:

Yes. Of the individual foods reported, 48 were lower on April 7 than on the corresponding date a year ago, and 35 of them were higher than last

year. Potatoes, for example, were 45% higher and cabbages and onions were 50% lower.

MRS. DANIEL:

How do this year's prices compare with other years?

MR. MONTGOMERY:

The index for all food prices on April 7 of this year was 31 percent or almost a third higher than on April 15, 1933. But at the same time it is 22 percent lower than on April 15, 1929.

MRS. DANIEL:

Yes, it's always important to keep a long distance perspective in mind when we complain about food prices being high.

But Mr. Montgomery, you promised to tell us what had been happening to the factors that influence food prices. What has the people's spending power been doing?

MR. MONTGOMERY:

Well, in general consumer income seems to be on the way up. Factory payrolls in March 1936 were more than 6 percent higher than in March 1935, according to the Bureau of Labor Statistics. Payrolls in retail and wholesale trade were up 5 and 6 percent over a year ago, and in all but one of the 14 other groups reported by the Bureau, payrolls showed increases over the same period.

MRS. DANIEL:

Did the payrolls in all groups go up about the same?

MR. MONTGOMERY:

No, some increases amounted to only a few percent, while others -- such as building construction and certain forms of mining -- showed quite substantial gains.

MRS. DANIEL:

Well, Mr. Montgomery, I must say that this all sounds like good news to me: A decrease in food prices over this time last year, while at the same time consumer income has been going up?

But do these figures for consumer income average out to cover all consumers -- the unemployed and all?

MR. MONTGOMERY:

No, they don't. They are just payroll figures in certain industries, and include only the people who are working and getting paid by private industry.

We know that there are millions of other people who want employment and can't find it. Their part of the picture does not show up in these figures except as they are put back on the payrolls.

MRS. DANIEL:

Still, it is good to know that payrolls have been going up in industry.

MR. MONTGOMERY:

Yes, when payrolls go up faster than prices consumers will be able to buy more. That's all to the good, but it is important to remember that to put our standard of living on a higher level than ever before, the gain of consumer incomes over consumer prices must become a continuing process over a period of years.

MRS. DANIEL:

Yes, as consumers our real concern with these things is what they mean in terms of a satisfactory standard of living.

MR. MONTGOMERY:

-- And that means a larger quantity of high-quality goods of all kinds available for consumption by all consumers.

But do you want to go on to the other factors that influence food prices

MRS. DANIEL:

By all means. Can you tell us the situation on food supply?

MR. MONTGOMERY:

Well, I can tell you that the supply of foodstuffs coming to market during the first quarter of the year was larger than it was in the first three months of 1935.

MRS. DANIEL:

That explains how consumer income could be going up while food prices went down: enough more food was being offered to make up for the rising consumer income?

MR. MONTGOMERY:

Exactly. The larger supply kept the prices from going on up with consumers' ability to pay.

MRS. DANIEL:

How much did the quantities of some of the important commodities increase?

MR. MONTGOMERY:

Well, we have figures for the number of pounds of cattle slaughtered under Federal inspection in January, February, and March of the two years. That figure went up by more than one-tenth this year over last. The total weight of hogs slaughtered under federal inspection went up even more -- 15 percent. And for sheep and lambs the increase was just under 15 percent.

MRS. DANIEL:

That's good news because high meat prices always seem to hurt more than any other. But I think bread comes next. Have you any figures showing the supply situation on bread?

MR. MONTGOMERY:

We get reports of the receipts of wheat at primary markets. They show

show a big jump. The receipts in the first three months of 1936 show an increase of more than 60 percent over the first three months of 1935. Wheat is moving to market later during this crop year than in the crop year 1934-35.

MRS. DANIEL:

That is striking. How about another standby -- potatoes?

MR. MONTGOMERY:

Potato shipments for this year were a shade over the same period of last year -- not quite one percent greater. Next I have some figures showing the increase in receipts of butter at five markets. That rise comes to 8 1/2 percent.

MRS. DANIEL:

That's good. And how about eggs?

MR. MONTGOMERY:

Egg supplies increased 13 percent, and cheese supplies even more -- nearly 17 percent.

MRS. DANIEL:

Well, that all sounds very encouraging. Do you think we have the end of the old AAA programs to thank for these increased supplies?

MR. MONTGOMERY:

I do not. Producing food supplies takes time. The larger supplies right now are the result of steps taken by farmers, with the help of AAA in some crops, to increase their output above the low levels of 1934.

MRS. DANIEL:

But it occurs to me that in telling us about food prices, you told us of the slight net change from last year to this year but not what food prices are doing right now. It seems to me that I have noticed a good many foods going down in the last few weeks. Is this generally true?

MR. MONTGOMERY:

Yes. With only one interruption, the average of all retail food prices has been going down slowly since the beginning of the year.

MRS. DANIEL:

Well, every consumer will want to know the answer to the obvious question: Will that downward trend of food prices continue?

MR. MONTGOMERY:

I wish I could give you a quick and simple answer, Mrs. Daniel. But I can say this. Barring adverse weather conditions, the farm output this summer will probably be larger than last.

MRS. DANIEL:

And that would mean lower prices?

MR. MONTGOMERY:

Well now don't forget the consumer income factor. If payrolls continue to go up, and go up enough, they may offset the effect of larger supplies,

entirely, or to some extent.

MRS. DANIEL:

I can't let you off without some definite statement, Mr. Montgomery. Tell us whether you think the chances are better for food prices to go down than to go up?

MR. MONTGOMERY:

Well, if you pin me down, I'd say the chances are better that they will go down. But predicting food prices is dangerous business.

MRS. DANIEL:

Will the new farm program cause any shortage of food supplies?

MR. MONTGOMERY:

It is not intended to. The only thing that might be a threat to food supplies is another drought.

MRS. DANIEL:

That's a terrible thought.

Let's all hope that doesn't happen.

MR. MONTGOMERY:

I'm sure the farmers echo that hope as ardently as consumers, Mrs. Daniel.

MRS. DANIEL:

Thank you, Mr. Montgomery, for the glimpse you've given us of a perspective on our food price situation.

ANNOUNCER:

And thank you both, Mrs. Daniel, and Mr. Montgomery... You have just been listening to a discussion of the consumer in the food price situation. Mrs. Ernest Daniel, First Vice-President of the District of Columbia Federation of Women's Clubs, has been questioning Don Montgomery, Consumers' Counsel of the Agricultural Adjustment Administration.

(Insert)

Each Tuesday afternoon at 3:45 Eastern Standard Time we bring you this consumer conversation through the cooperation of the General Federation of Women's Clubs and the Consumers' Counsel of the Agricultural Adjustment Administration. This is the National Broadcasting Company.

